

## Natural Gas Supply

Res. Supply:

(January) Res. Supply =  $20 \times \$0.4356400 = \$8.71$

(December) Res. Supply =  $43 \times \$0.4013700 = \$17.26$

**Res. Supply for 12/10/13 – 01/10/14 = \$25.97**

**This charge is the natural gas supply, or the amount gas consumed at the residence. A monthly bill is based on therms used, in total, at the end of each month. A therm is equal to about 100 cubic feet of natural gas. Your use or consumption is the basis of this charge. On the NorthWestern bill, the customer used 63 therms, but only 10 days of that was in January under the rate of \$.4356400. Of the bill, 21 days were in December, and the rate was \$.4013700.**

### **Read More:**

How does NorthWestern Energy decide to charge those rates per therm for natural gas supply? And why do they change?

NorthWestern procures and manages a natural gas portfolio of natural gas contracts and NorthWestern-owned production from various sources to meet the needs of its customers. The majority of its supply contracts is firm and priced by reference to a market index. The PSC does not regulate the wholesale market price of gas. Those prices are set in the national wholesale market, which was deregulated by the federal government in 1978.

NorthWestern-owned production is also included in natural gas supply rates at a cost of service that is authorized by the PSC. In 2010, NorthWestern purchased the Battle Creek Natural Gas Field in Blaine County. Two-years later, the company bought natural gas production interests in northern Montana's Bear Paw Basin. In late 2013 NorthWestern purchased other natural gas production interests in northern Montana's Bear Paw Basin from Devon Energy Production Company. The purchase included Devon's 82 percent interest in the Havre Pipeline Company. Costs associated with Bear Paw and the Devon acquisition are included in rates on an interim basis until the PSC issues a final order regarding treatment of these assets in a separate filing, so this is something that could change in a future bill.

Just like electricity, natural gas supply costs are tracked with the PSC and "trued up" annually. When the price of gas goes up or down, natural gas utilities make a filing with the PSC called a gas tracker. These can occur on a month-to-month basis. Trackers are then reviewed on an annual basis.

The PSC also must allow a public utility to file rate schedules containing provisions for the automatic adjustment and tracking of Montana state and local taxes and fees paid by the utility. (69-3-308, MCA). Part of those taxes and fees also include a fee that each utility pays to fund the Consumer Counsel (69-1-223, MCA) and the PSC. The PSC is

required to allow immediate recovery of the fee by a utility in its rates and charges on an annual basis. (69-1-224, MCA). The change took effect in January, and the result is differing rates for not only supply, but also transmission, and distribution costs in December 2013 and January 2014. The change in rates is often referred to as a “tax tracker” docket at the PSC. The 2014 Electric and natural Gas Tax Tracker increases natural gas distribution, transportation, and storage rates by 0.15 percent. (Docket No. D2013.12.83). The docket remains open before the PSC.

The PSC in late January 2013 wrote NorthWestern a letter urging the utility to disclose, in a customer's bill, the amount of state and local taxes and fees assessed against the utility that the customer is paying. Montana law states that utility “may” disclose those amounts, but a utility is not required to disclose them.

A public utility may separately disclose in a customer's bill the amount of state and local taxes and fees assessed against the public utility that the customer is paying. 69-3-308, MCA.